



Mayoral Directive 2018-05: Budget Deficit

A Mayoral Directive charging City staff in all departments to develop alternatives for addressing the ongoing structural budget deficit in the City's general government budget and improving efficiencies and cost management citywide.

Since the passage of Initiative 747, which limited the growth of property tax to 1 percent per year, the City has faced an ongoing structural deficit in our general government budget. Our revenue growth is not keeping pace with expenditure growth. In addition, the Great Recession put further strain on our resources and reduced annual revenues coming into the City.

The City is required by law to adopt a balanced budget, so these projected deficits must be resolved each year as we develop the City's annual funding plan.

Throughout the recession, the City balanced the budget by:

- Deferring maintenance on City properties and facilities
- Deferring investments in capital improvements
- Deferring vehicle replacements
- Deferring contributions towards long-term obligations
- Eliminating vacant positions through attrition and leaving vacant positions unfilled

For the past decade we have relied heavily on under-expenditures from the previous year and revenues that exceed the annual budget forecast in order to balance the budget. Under-expenditures have been especially large, due primarily to a high level of staff vacancies.

In 2014 the City began work to address our ongoing budget gap, through the process that was known as the Structural Deficit Action Team (SDAT). City leadership gathered suggestions from staff and community members. The team reviewed the suggestions and solicited feedback at community meetings. Ultimately, the City Council authorized a combination of tax-rate and fee increases, as well as targeted expenditure reductions.

During 2015 and 2016, Everett experienced a surge in construction activity that brought in additional taxes and permit fees. This activity, together with the implemented SDAT recommendations, allowed the City to restore contributions to reserves and long-term obligations, and begin to work through the backlog of maintenance projects and vehicle replacements.

Unfortunately, in 2017, the positive revenue trend began to change. Construction activity returned to a more normal level, and the continued shift of Everett's tax base to north and east of the city further impeded revenue performance.

In total, revenues fell short of projections for 2017 by \$1.3 million, and under-expenditures will be substantially smaller, as the number of staff vacancies has diminished. The net effect is that we anticipate that carry forward from 2017 will be only \$3 million, compared with nearly \$12 million in 2015.

The projected deficit for 2019 is more than \$13 million, and the gap grows larger in the following years. Our remaining options are not easy ones. Most of the City's available taxing authority and capacity for fee increases were consumed in 2014, and we have come to the end of the road in our ability to close the growing gap through deferrals and use of under-expenditures. We can no longer avoid taking more difficult measures to solve this serious and growing problem.

While the structural deficit is a general government issue, positive revenue performance and vigilant cost management are vital at every level and functional area of the City. Therefore, this directive is issued citywide.

NOW, THEREFORE, I, Cassie Franklin, Mayor of Everett, hereby direct City staff to pursue the following eight initiatives:

Initiative 1. In partnership with the City Council, establish an oversight team consisting of executive staff and the Council budget subcommittee.

This group will oversee the process to fulfill the directive and evaluate potential strategies to be implemented to increase revenues and reduce expenses. The Council Budget Chair will provide regular updates to and solicit feedback from the full Council, particularly as it relates to potential reductions in service.

- A. Beginning March 7, the team will meet during the regular budget subcommittee meeting on the first Wednesday of each month. These meetings will allow time for the monthly review of operating results with an emphasis placed upon significant variances to the budget.
- B. On an ongoing basis, tactics that have been evaluated by staff (Initiatives 2-7) will be reviewed with this committee with an eye toward their positive effect on the budget and the corresponding impact to staff and service delivery. The budget subcommittee will recommend potential options to the full Council for consideration as needed.

Initiative 2. Evaluate all vacant positions for potential elimination.

Until further notice, all staff vacancies will be evaluated for potential changes or position elimination before hiring is approved.

Initiative 3. Reduce travel and training costs.

Providing professional development and educational opportunities for our employees is important to ensure a highly trained, effective workforce. In order to better control costs, we will look for opportunities to provide training more cost efficiently when possible.

Effective immediately, department directors will be responsible for reducing travel/training costs within their departments through an emphasis on local and online training opportunities. All travel/training requests for out-of-state travel will include a written justification that addresses the benefit to taxpayers, relevance to City priorities, and reasons that the training cannot be accomplished online or locally.

Initiative 4. Evaluate current services and identify potential modifications and options for controlling costs within existing services.

Department directors will evaluate and prioritize current services within their departments, including internal operations and direct services to the community. The evaluation will include the cost of providing the service, potential cost savings that could be achieved by modifying or eliminating the service, and how essential the service is to City operations and/or the community.

- A. Between Feb. 23 and March 30, 2018, all department directors will review their operations, evaluate the effectiveness of those operations and the methods of delivering services, and develop recommendations for potential service modifications or eliminations. The analyses and recommendations will be submitted to me and the administrative team using a uniform format.

Initiative 5. Solicit and evaluate cost-saving and service-modification suggestions from employees and the community.

An interdepartmental team, led by the Chief of Staff and Finance Director, will review and evaluate suggestions from employees and the community, as well as suggestions that were collected during the 2014 SDAT process.

Between Feb. 23 and April 30, 2018:

- A. The team will ask City employees to submit ideas for reducing costs and improving revenue performance.
- B. The team will review suggestions that were submitted during the 2014 SDAT process, including those submitted by community members.
- C. The team will solicit new suggestions from the community.

The interdepartmental team will review and evaluate all suggestions and provide recommendations to me and to the budget subcommittee no later than May 30, 2018.

Initiative 6. Explore alternatives to reduce costs for employee benefit programs.

The Human Resources team, working with the Chief of Staff, will renew investigation of new, progressive approaches to providing employee health benefits.

- A. By March 19, 2018, the Human Resources team will review all existing health benefits for potential cost savings and make recommendations to me.

- B. By March 30, 2018, the Human Resources team will schedule a presentation for the administrative team, describing the opportunities and potential benefits of high-deductible plans with health savings accounts in combination with a City-sponsored health clinic.
- C. By April 27, 2018, the Human Resources team will evaluate the proposal and provide recommendations to me. This analysis will provide us with estimated cost savings over the next five years.

Initiative 7. Expand the City's volunteer program.

An interdepartmental team, including representatives from Human Resources, will evaluate options for expanding the City's volunteer program. Increasing volunteer opportunities throughout the City may provide less costly options for delivering services that might otherwise be eliminated or that could be expanded through a larger volunteer program.

- A. By May 11, the interdepartmental team will work with department directors to identify services and programs that could potentially be delivered by volunteers, as well as the internal resources needed to expand and manage a larger volunteer program.
- B. By June 29, the team will work with Human Resources and the Communications, Marketing and Engagement teams to promote volunteer opportunities to the community.

Initiative 8. In partnership with the City Council, investigate collaborative and alternative funding or service delivery models for existing services.

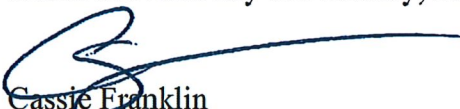
By June 29, 2018, departmental teams and the administrative team will investigate alternative funding and service delivery models for major City departments, including:

- Everett Fire
- Everett Transit
- Parks and Community Services
- Everett Public Library

The teams will prepare recommendations for consideration by me and the City Council, as well as a plan for engaging the community in discussions about potential changes.

Inquiries regarding this Mayoral Directive should be directed to Meghan Pembroke of the Everett Mayor's Office.

Dated this 23rd day of February, 2018.


Cassie Franklin
Mayor, City of Everett